

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION

Call to Order: By **CHAIRMAN JOHN BRUEGGEMAN**, on February 10, 2003
at 9:20 A.M., in Room 317-B Capitol.

ROLL CALL

Members Present:

Rep. John Brueggeman, Chairman (R)
Sen. Rick Laible, Vice Chairman (R)
Sen. Gregory D. Barkus (R)
Sen. Mike Cooney (D)
Rep. Monica Lindeen (D)
Rep. John Sinrud (R)

Members Excused: None.

Members Absent: None.

Staff Present: Matt Bugni, OBPP
Christi Moyer, OBPP
Amy Sassano, OBPP
Lisa Gallagher, Committee Secretary
Lynn Zanto, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape stamp refers to material immediately following.

Committee Business Summary:

Hearing & Date Posted: None

Executive Action: State Auditor's Office Budget;
Governor's Office Budget

EXECUTIVE ACTION ON GOVERNOR'S OFFICE BUDGET

Motion/Vote: SEN. LIABLE moved that **STANDARD MOTIONS REGARDING THE FISCAL 2002 BASE FOR NON-GENERAL FUND BE ADOPTED.** Motion carried 6-0, by voice vote.
EXHIBIT (jgh29a01)

Motion: SEN. BARKUS moved that **DP 103 DO PASS.**

Discussion:

{Tape: 1; Side: A; Approx. Time Counter: 3.2 - 9.8}

Mark Holston, Governor's Office, said that moving the Flathead Basin Commission under the Department of Natural Resources would have some conveniences. The statutes will need to be rewritten to accommodate this change. Currently this Commission is attached to the Governor's Office because of the relationship with British Columbia, Canada. This commission currently has good communication with British Columbia and that is a major issue that they are looking at when considering this move. There are two concerns; the first is whether this commission would be able to function, and the answer is probably yes. The second is the relationship with British Columbia.

SEN. BARKUS asked Mark Holston what the perception of British Columbia is with the department being attached to the Department of Natural Resources as opposed to the Governor's Office. **Mark Holston** said that it is something that needs to be looked at. It is important that the Flathead Basin Commission still have a voting member on the board. The thing to do is keep the Governor's Office statutorily as an active voting member.

SEN. BARKUS said that the Flathead Basin Commission is very effective, and they do a good job. He also stated that it is his intention that this program not be cut in anyway, but rather be enhanced through the DNRC.

REP. BRUEGGEMAN said that he agrees with what SEN. BARKUS had to say about this commission. He also said that it is one of the few programs in government that is seen as being proactive with regard to natural resources.

Vote: Motion that **DP 103 DO PASS** carried 6-0, by voice vote.

Motion: SEN. BARKUS moved that DP 102 DO PASS.

Discussion:

Lynn Zanto explained that DP 102 provides \$5,000 for the year 2005 for a report that the Flathead Basin Commission has to do in the nonbase year. So this money is not counted in the base and it needs to be included every time.

SEN. COONEY asked where the \$5,000 comes from. **Lynn Zanto** said that it is Resource Indemnity Trust (RIT) money, which comes from the renewable resource grant and loan, state special revenue account.

Vote: Motion that DP 102 DO PASS carried 6-0, by voice vote.

Motion: SEN. BARKUS moved that DP 110 DO PASS.

Discussion:

Lynn Zanto explained that this is a reduction of \$13,900 per year, because the revenues coming into the RIT account are down.

Vote: Motion that DP 110 DO PASS carried 6-0, by voice vote.

EXECUTIVE ACTION ON STATE AUDITOR'S OFFICE BUDGET

Discussion:

{Tape: 1; Side: A; Approx. Time Counter: 13.3 - 15.8}

Lynn Zanto said that the legislative budget for the Auditor's Office went to the 2003 base level and with that there is about a \$60,000 per year reduction. They have a decision package to do a funding switch so that they would no longer have any general fund money because the only program that receives general fund money is program three, the securities program. The Auditor's Office is asking for \$115,000 per year that would cover the \$60,000 plus additional reductions in the Executive Budget. If you want to restore the \$60,000 then you would want move the 2002 base for all funds. If you want to stick with the legislative budget then you would want to move the 2002 base for all funds except the general fund.

SEN. COONEY asked **Lynn Zanto** if they still have some money coming from the general fund. **Lynn Zanto** said that they do have some monies coming in from securities but at the end of the year the money is reverted back to the general fund. In the past they

have received general fund money, and that is what they are asking to be switched.

SEN. COONEY asked John Huth, State Auditor's Office, what happens to the money from insurance. **John Huth** said that the premium that is collected goes directly into the general fund. The fee structure has been changed and now insurance companies pay \$1,900 per year to do business in Montana and that money goes into a state special revenue account. It does not go to the general fund, however there is not a huge surplus in this account.

SEN. COONEY asked John Huth if this account could possibly be made into an enterprise account. **John Huth** said that he did not see how the fees could be adjusted in the securities department so that this account could be an enterprise account. To go enterprise they would have to transfer the excess over to the general fund, so they would be building up a huge surplus. The money change that they have proposed is in regard to the portfolio account.

{Tape: 1; Side: A; Approx. Time Counter: 21 - 27.7}

SEN. BARKUS asked John Huth if this change will triple the revenue into the state special revenue account. **John Huth** said that it almost will. It used to be \$2.5 million and now it will be \$3.5 million, so we are adding about \$1 million.

SEN. BARKUS asked John Huth if what is going to happen is that \$115,000 will be taken out of general and you need some new FTEs. **John Huth** said that they are not asking for any new FTEs or an increase. They are just asking to keep the 2002 base budget and give us the \$115,000 back and we will give you an additional \$885,000 to put back into the general fund.

SEN. BARKUS asked John Huth how are we assured that this money is going to go into the general fund. **John Huth** said that he transfers the money every month. He can only spend the authority that the legislature gives him.

Motion/Vote: **SEN. COONEY** moved that **2002 BASE FOR ALL FUNDS DO PASS. Motion carried 6-0**, by voice vote.

Lynn Zanto explained DP 3, which is a request for two FTE for a market conduct examiner to review insurer's marketplace practices. The Committee decided not to take action.

Motion: SEN. LIABLE moved that DP 4 DO PASS.

Discussion:

Lynn Zanto said that this will provide for a captive insurance FTE. It would allow for one FTE, Grade 15, insurance examiner to approve the applications of prospective captives and conduct the examinations of captive insurance companies that are licensed in Montana. There would be a \$7,000 savings per year if the salary level was entry level.

SEN. COONEY asked John Huth if it is correct that they do not do the audits and they do not raise the fees. John Huth said, "That is not correct. This person would be hired to get the captive program. We are asking for an additional 1 FTE that will be able to help him with captive law."

Vote: Motion that DP 4 DO PASS carried 6-0, by voice vote.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 5.4}

Motion: SEN. COONEY moved that DP 6 DO PASS.

Discussion:

Lynn Zanto said that this is for contract insurance examinations, and that the expenses will be offset by the examination cost reimbursements from insurance companies.

Vote: Motion that DP 6 DO PASS carried 6-0, by voice vote.

Motion: SEN. BARKUS moved that DP 2 DO PASS.

Discussion:

Lynn Zanto said that this will provide an additional one FTE, Grade 14 securities analyst, to address the increase in both the number of issuers filing with the department and the number of individuals registered to sell as broker dealer agents. There would be a \$6,100 per year saving if the grade level was entry level, which is a general fund savings.

REP. SINRUD asked about DP 2 on Page A 92. REP. BRUEGGEMAN said that is a new proposal.

SEN. BARKUS asked if the motion included the Grade 14 funding. Lynn Zanto said, "Yes, it did and it also includes a computer."

Vote: Motion that DP 2 DO PASS carried 6-0, by voice vote.

Motion: SEN. COONEY moved that DP 7 DO PASS.

Discussion:

Lynn Zanto said that this is for the securities contract examinations. Currently they are funded at \$12,000 and they are asking for an additional \$77,615 per year for securities broker dealers examinations.

SEN. BARKUS asked John Huth if the reference to "investment advisors" is to the small group of investment advisors in the state. **John Huth** deferred to **Brenda Thompson, State Auditor's Office**, and she said that currently they have an existing examination program where only investment advisors are examined. Currently the only examination in broker dealers are prompted by complaints.

Vote: Motion that DP 7 DO PASS carried 6-0, by voice vote.

Motion: SEN. BARKUS moved that DP 8 DO PASS.

Discussion:

Lynn Zanto said that this is the special session reductions, which is about \$4,522 per year (the office has asked to not continue the Governor's 17-7-140 reductions of the \$11,792 per year).

Vote: Motion that DP 8 DO PASS carried 6-0, by voice vote.

Motion: SEN. COONEY moved that DP 1 DO PASS.

Discussion:

{Tape: 1; Side: B; Approx. Time Counter: 9 - 10.3}

SEN. COONEY asked Lynn Zanto if they need to do this switch. **Lynn Zanto** said, "Not necessarily."

SEN. COONEY asked Lynn Zanto if this takes the State Auditor's Office away from the general fund appropriation. **Lynn Zanto** said, "Yes."

Lynn Zanto explained DP 2 to the Committee, which would make additional reductions of \$86,794 over the biennium. The Committee decided not to take action on DP 2.

Motion/Vote: **REP. LINDEEN** moved that **DP 10 DO PASS. Motion carried 6-0**, by voice vote.

EXHIBIT(jgh29a02)

REP. BRUEGGEMAN distributed to the committee an initial bill draft for review.

EXHIBIT(jgh29a03)

SEN. COONEY asked Amy Sassano, Budget Office, about a "beef transfer position" that has \$90,000. **Amy Sassano** said that she did not know anything about it, but would check on it.

Exhibits 4 and 5 were handed to the secretary, but not referred to.

EXHIBIT(jgh29a04)

EXHIBIT(jgh29a05)

ADJOURNMENT

Adjournment: 10:30 A.M.

REP. JOHN BRUEGGEMAN, Chairman

LISA GALLAGHER, Secretary

JB/MS

EXHIBIT (jgh29aad)